Vanguard

Q2 2025

EMERGING MARKETS BOND FUND

Quarterly update

LOW-COST ACTIVE FIXED INCOME

Marketing communication

The Vanguard Emerging Markets Bond Fund is an actively managed fixed income solution investing primarily in emerging market sovereigns. The fund is managed by Vanguard's Fixed Income Group and aims to generate a diversified, consistent level of return over the long term.

Highlights

- The Vanguard Emerging Markets Bond Fund returned 3.50% in the second quarter, outperforming its benchmark, the J.P. Morgan EMBI Global Diversified Index, which returned 3.32%.
- The fund's overweight to credit risk was the largest contributor to performance.
- Security selection also contributed to the fund's outperformance over the period, while country allocation detracted.

Market overview

Emerging market (EM) credit returned 3.3%[1] in the second quarter of 2025, supported by a rally in US Treasuries and a tightening in spreads. Year-to-date, EM credit has returned 5.6%[2], outperforming most other fixed income segments. After April's tariff-related disruptions, global risk appetite strengthened and volatility eased during the rest of the quarter. Rising geopolitical tensions in the Middle East in June were not enough to perturb the broad-based rally in risk assets.

High-yield (HY) sovereign bonds outperformed investment-grade (IG) sovereigns during the quarter, delivering returns of 4.5% versus 2.1%, respectively[2]. The sharp rebound in global risk appetite largely drove the outperformance of lower-quality EM credits, as well as positive fundamental developments in names such as Argentina (+7.5%), which successfully lifted capital controls and returned to international debt markets with a local currency issuance, and Ecuador (+46%), where an additional IMF disbursement and positive reform momentum supported the credit.

EM local currency debt extended its strong run in the second quarter, bringing unhedged YTD returns to 12.3%[3]. EM currencies (EMFX) have appreciated 7% against the US dollar in 2025[4], supported by broad dollar weakness, resilient global growth and local drivers such as high rates of carry in local currencies. Meanwhile, inflation continued to ease across many EMs, helped by falling oil prices and pressure on domestic prices from stronger local currencies and rising tariffs. These trends helped fuel expectations of further rate cuts and supported EM duration returns.

Performance

The Vanguard Emerging Markets Bond Fund returned 3.50% over the quarter, outperforming its benchmark, the J.P. Morgan EMBI Global Diversified Index, which returned 3.32%[5].

The fund's top contributor to returns was from its overweight in credit risk, which benefited from the credit market rally during the quarter. Security selection also supported performance, notably through the addition of euro-denominated bonds in Hungary and to the short-end of the credit curve in Argentina. Underweight positions in Romania and Senegal also added value. The main detractors from performance included an overweight exposure to Ukraine and an underweight exposure to Lebanon. Currency exposures also detracted, as the negative impact from a short position in the Czech Koruna outweighed gains from the fund's long exposure to the euro.

Positioning and outlook

We took advantage of the April market sell-off to increase exposure to mid-quality EM credits offering strong spread compression potential. As markets rallied in May and June, we rotated out of

[1,2,3] Vanguard, Bloomberg and JP Morgan, for the period 31 March 2025 to 30 June 2025. Calculations in USD.
[4] Vanguard and Bloomberg, for the period 1 January 2025 to 30 June 2025. EM currencies are represented by the J.P. Morgan ELMI Plus Composite Index.
[5] Vanguard and Bloomberg, for the period 31 March 2025 to 30 June 2025.

more expensive lower-quality names into countries with improved macroeconomic resilience, adjusting the overall quality tilt of the portfolio.

With spreads back down to historically tight levels, valuations have become less attractive – leading us to place greater focus on relative-value opportunities within and across credits and currency denominations.

In EM local markets, we maintain a preference for long receiver positions in small, open economies where the drag from weakening global trade is expected to significantly impact growth. In these markets, notable levels of currency appreciation are creating space for EM central banks to respond to easing inflation and declining trade volumes.

Looking ahead, we will continue leveraging market volatility through targeted country and security selection positions to generate value.

Vanguard

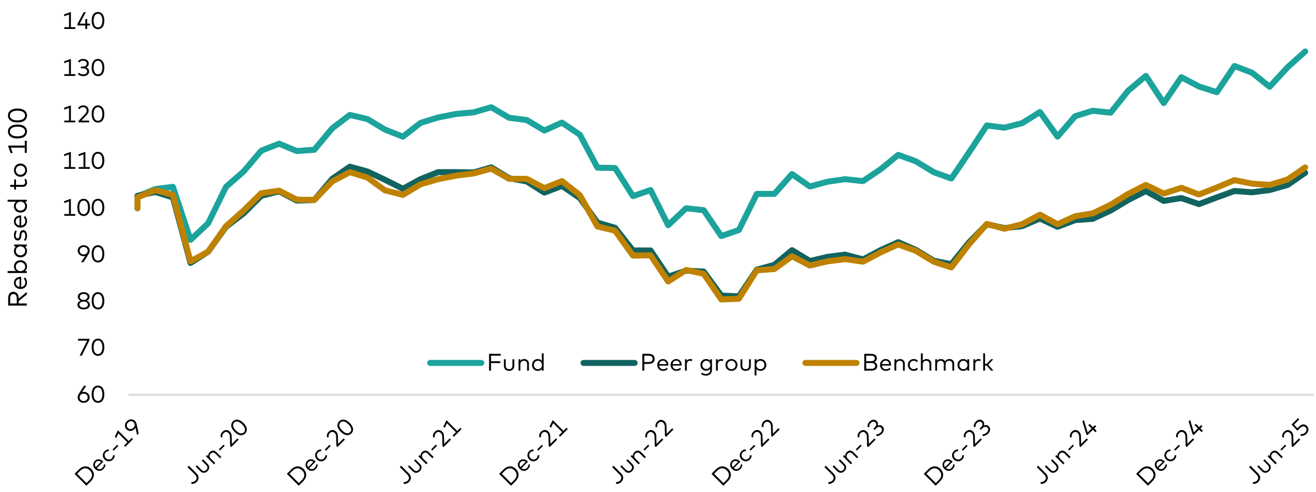
Vanguard Emerging Markets Bond Fund Investor USD

Key fund facts (as at 30 June 2025)

Investment manager: Vanguard Global Advisers, LLC
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: JP Morgan EMBI Global Diversified
Peer group: EAA Fund Global Emerging Markets Bond
Ongoing charges figure[1]: 0.6%
Fund AUM: USD 1,830m

Number of holdings: 325
Yield to worst: 6.6%
Average coupon: 5.4%
Average maturity: 10.3 years
Average quality: BB+
Average duration: 6.6 years
ISIN: IE00BKLWXM74

Fund performance (Cumulative % growth, USD, 3 December 2019 to 30 June 2025)



Cumulative return (%) as at 30 June 2025	**YTD**	**3 month**	**1 year**	**3 yr (ann.)**	**5 yr (ann.)**	**Since inception (ann.)**
Fund	5.95	3.50	10.46	11.51	4.37	5.33
Peer group	6.63	4.07	10.13	8.19	1.78	1.32
Benchmark	5.64	3.32	9.97	8.86	1.79	1.52

Calendar year return (%)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Fund	--	--	--	--	--	17.04	-1.37	-12.88	14.16	7.12
Peer group	-4.16	9.63	11.13	-6.24	11.27	6.11	-3.80	-16.12	9.87	4.53
Benchmark	1.18	10.15	10.26	-4.26	15.04	5.26	-1.80	-17.78	11.09	6.54

12-month return (%) to:	**30 Jun 2016**	**30 Jun 2017**	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2020**	**30 Jun 2021**	**30 Jun 2022**	**30 Jun 2023**	**30 Jun 2024**	**30 Jun 2025**
Fund	--	--	--	--	--	11.43	-19.83	12.45	11.62	10.46
Peer group	4.78	7.18	-2.09	8.10	-1.39	8.91	-20.79	6.67	7.34	10.13
Benchmark	9.79	6.04	-1.60	12.45	0.49	7.53	-21.22	7.39	9.23	9.97

Past performance is not a reliable indicator of future results.
Source: Vanguard and Morningstar. Performance figures include the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV. Basis of index performance is total return. All performance is calculated in USD, net of fees. Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. As a result, returns may decrease or increase due to currency fluctuations. [1]The Ongoing Charges Figure (OCF) covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

Vanguard

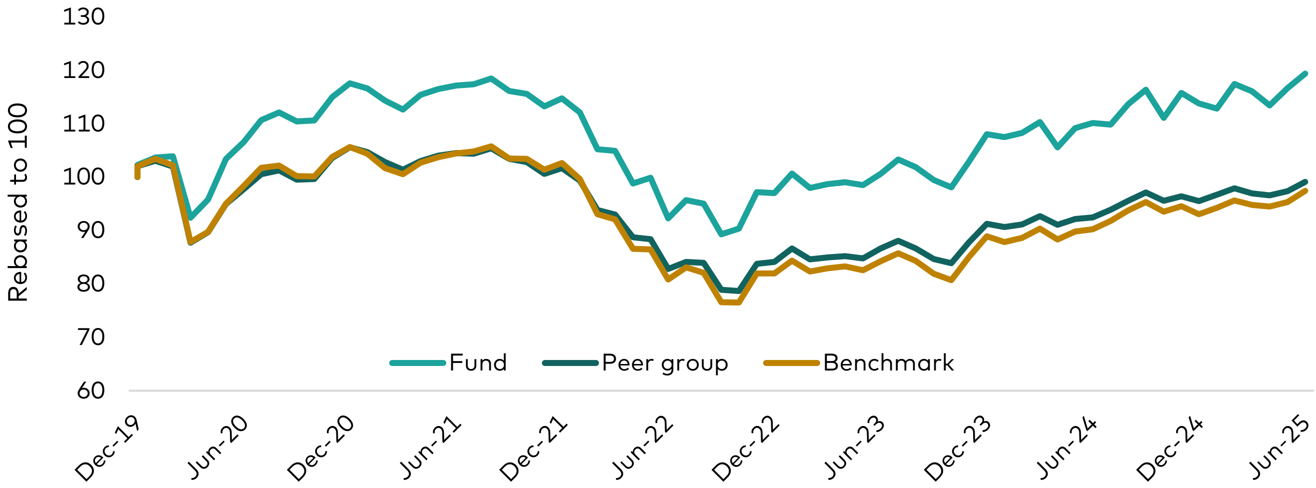
Vanguard Emerging Markets Bond Fund Investor EUR Hedged

Key fund facts (as at 30 June 2025)

Investment manager: Vanguard Global Advisers, LLC
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: JP Morgan EMBI Global Diversified (EUR Hedged)
Peer group: EAA Fund Global Emerging Markets Bond - EUR Hedged
Ongoing charges figure[1]: 0.6%
Fund AUM: EUR 1,559m

Number of holdings: 325
Yield to worst: 6.6%
Average coupon: 5.4%
Average maturity: 10.3 years
Average quality: BB+
Average duration: 6.6 years
ISIN: IE00BKLWXS37

Fund performance (Cumulative % growth, EUR, 3 December 2019 to 30 June 2025)



Cumulative return (%) as at 30 June 2025	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	4.90	2.86	8.36	8.96	2.30	3.23
Peer group	3.76	2.22	7.20	6.24	0.37	-0.15
Benchmark	4.68	2.75	7.93	6.41	-0.18	-0.47

Calendar year return (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	--	--	--	--	--	14.97	-2.41	-15.47	11.40	5.34
Peer group	-2.04	8.55	6.97	-7.83	9.46	3.46	-3.69	-17.28	8.46	4.71
Benchmark	0.74	8.32	8.21	-7.04	11.66	3.50	-2.82	-20.14	8.43	4.68

12-month return (%) to:	30 Jun 2016	30 Jun 2017	30 Jun 2018	30 Jun 2019	30 Jun 2020	30 Jun 2021	30 Jun 2022	30 Jun 2023	30 Jun 2024	30 Jun 2025
Fund	--	--	--	--	--	9.97	-21.24	9.00	9.53	8.36
Peer group	5.42	4.52	-4.30	6.51	-3.12	6.95	-20.76	4.61	6.74	7.20
Benchmark	8.82	4.07	-3.95	9.03	-1.86	6.23	-22.59	4.21	7.13	7.93

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Vanguard

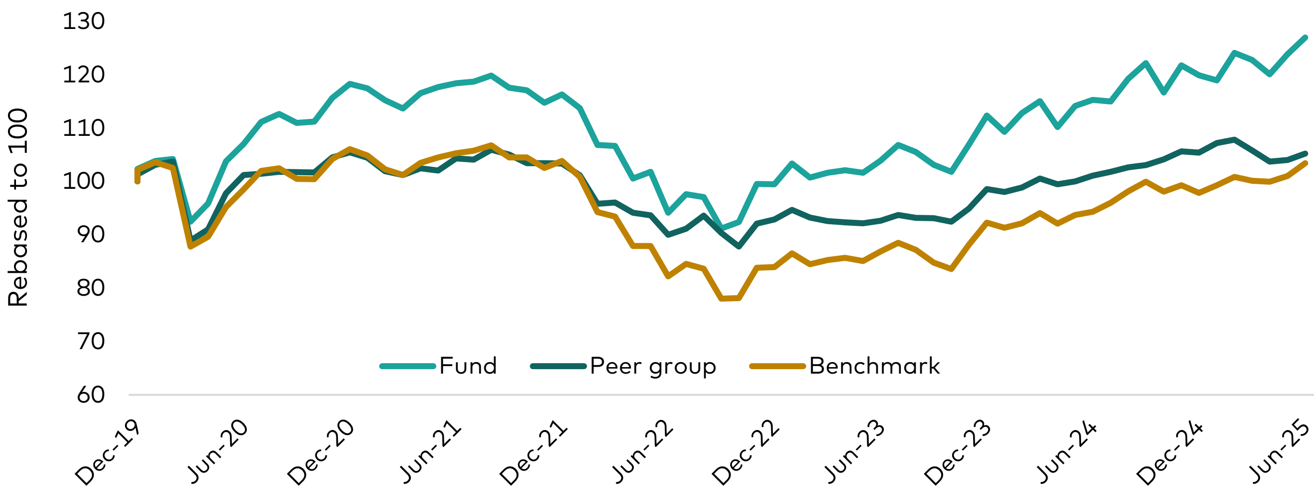
Vanguard Emerging Markets Bond Fund Investor GBP Hedged

Key fund facts (as at 30 June 2025)

Investment manager: Vanguard Global Advisers, LLC
Inception date: 03 December 2019
Domicile: Ireland
Benchmark: JP Morgan EMBI Global Diversified (GBP Hedged)
Peer group: IA Global Emerging Markets Bond - Hard Currency
Ongoing charges figure[1]: 0.6%
Fund AUM: GBP 1,336m

Number of holdings: 325
Yield to worst: 6.6%
Average coupon: 5.4%
Average maturity: 10.3 years
Average quality: BB+
Average duration: 6.6 years
ISIN: IE00BKLWXP06

Fund performance (Cumulative % growth, GBP, 3 December 2019 to 30 June 2025)



Cumulative return (%) as at 30 June 2025	YTD	3 month	1 year	3 yr (ann.)	5 yr (ann.)	Since inception (ann.)
Fund	5.93	3.42	10.13	10.50	3.48	4.38
Peer group	-0.14	-0.55	4.10	5.34	0.77	0.92
Benchmark	5.68	3.30	9.71	7.95	0.98	0.61

Calendar year return (%)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	--	--	--	--	--	15.60	-1.70	-14.47	12.95	6.70
Peer group	2.27	21.94	4.40	-3.12	11.11	4.10	-2.02	-10.13	6.09	6.93
Benchmark	1.25	9.86	9.11	-6.02	12.95	3.83	-2.10	-19.14	9.88	6.09

12-month return (%) to:	30 Jun 2016	30 Jun 2017	30 Jun 2018	30 Jun 2019	30 Jun 2020	30 Jun 2021	30 Jun 2022	30 Jun 2023	30 Jun 2024	30 Jun 2025
Fund	--	--	--	--	--	10.65	-20.51	10.42	10.95	10.13
Peer group	16.88	8.66	-3.01	11.50	0.80	3.08	-13.72	2.91	9.12	4.10
Benchmark	9.79	5.16	-3.06	10.27	-1.11	6.88	-21.92	5.68	8.50	9.71

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Vanguard

Vanguard Emerging Markets Bond Fund

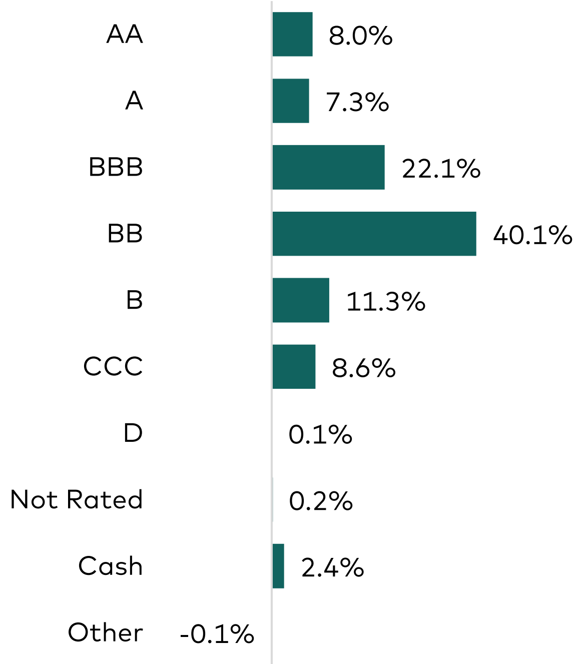
Fund breakdown (as at 30 June 2025)

Distribution by issuer (% of bonds)

	Fund %
Sovereign	70.8
Agencies	13.4
Treasury/Federal	8.1
Industrials	4.2
Utilities	0.9
Financial institutions	0.2
Local authority	0.1
Other	0.0
Cash	2.4

The allocations are subject to circumstances such as timing differences between trade and settlement dates of underlying securities, that may result in negative weightings. The fund may also employ certain derivative instruments for cash management or risk management purposes that may also result in negative weightings. Allocations are subject to change. Cash includes physical cash on the account, cash like instruments (such as ultra-short term treasury bonds) and derivative instruments.

Distribution by credit quality (% of bonds)



Credit quality ratings for each issue are obtained from Bloomberg using ratings derived from Moody's Investors Service, Fitch Ratings, and Standard & Poor's. When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used. "Other" may include derivatives which could result in negative weightings.

Source: Vanguard, as at 30 June 2025.

Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Past performance is not a reliable indicator of future results. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares.

Performance figures shown may be calculated in a currency that differs from the currency of the share class that you are invested in. As a result, returns may decrease or increase due to currency fluctuations.

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Vanguard Emerging Markets Bond Fund may use derivatives, including for investment purposes, in order to reduce risk or cost and/or generate extra income or growth. For all other funds they will be used to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Funds net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks please see the “Risk Factors” section of the prospectus on our website at https://global.vanguard.com.

Important information

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For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID (for UK, Channel Islands, Isle of Man investors) and to the KID (for European investors) before making any final investment decisions. The KIID and KID for this fund are available in local languages, alongside the prospectus via Vanguard's website https://global.vanguard.com/.

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Important information

For investors in Ireland domiciled funds, a summary of investor rights can be obtained via https://www.ie.vanguard/content/dam/intl/europe/documents/en/vanguard-investors-rights-summary-irish-funds-jan22.pdf and is available in English, German, French, Spanish, Dutch and Italian.

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